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THE PLACE OF AGRICULTURE IN MODERN INDUSTRIAL SOCIETY. I

So short a time has elapsed since the economic life of the United States was predominantly agricultural, our industrial development is still so novel to our national thought, and so imperfectly have we as a nation grasped the idea of social solidarity, that it is not at all strange that untenable or even mischievous views upon the relationship of agriculture to other parts of our industrial organization are frequently to be met with. As long as such notions persist, the proper and effective rapprochement of rural and other interests cannot be expected. It becomes therefore a highly practical endeavor, and no mere academic pastime, to draw up the most searching formulation we can of the place of agriculture in a modern industrial society such as we are fashioning in America.

I. THE AGRARIAN BIAS

It goes without saying that from an early day in the history of the race until the recent past a question concerning the place of agriculture in a scheme of mutually adjusted industries would scarcely have arisen. Agriculture was the dominant calling of mankind. It is hardly too much to say that agriculture *was* industry. The relatively few and feeble other arts of ancient and mediaeval times were mere handmaidens to this ample mother of our economic life, save as they were pressed into the service of that other great pursuit, war. And since war was so largely waged for the acquisition of new domains for the herdsman or cultivator, the supremacy of agriculture continued, with but brief and local exceptions, until a relatively recent date.

Indeed it was not until the growth of trade and commerce in the seventeenth and eighteenth centuries that a non-agricultural class was able to rise in such numbers as to challenge the ascendancy of rural interests. Promptly thereupon there was evinced a lamentable tendency toward factional division, every advance

of trade or industry being reflected in a gesture of retaliation or of self-protection on the part of agriculture. Eventually this jealousy came to formal expression in the well-known physiocratic doctrines of Quesnay and his followers, not only in France but elsewhere on the Continent and in England. These preachers of an "agricultural system" of political economy asserted that agriculture was the only truly productive occupation of mankind, and that all persons not so employed were simply "sterile" consumers of the products created by the farmer's industry.

Even Adam Smith "clung to agriculture with all the tenacity of his nature, and no opportunity of showing his preference was ever missed. . . . Not only is it more difficult, but it is also more useful. . . . He never subjected agriculture to the indignity of equal treatment along with other forms of economic activity. In his work at least it still retained its ancient pre-eminence."¹ He naïvely argues that "in agriculture, Nature labors along with man; and though her labor costs no expense, its produce has its value, as well as that of the most expensive workmen. . . . The labourers and labouring cattle employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owner's profits, but of a much greater value."²

Nor has this idea disappeared with the passage of time. There seems still to run from generation to generation an indomitable thread of belief which holds that agriculture is more truly or more nobly productive than other human pursuits. Webster's "Let us never forget that the cultivation of the earth is the most important labor of man" is still thundered in our ears, and an enormous

¹ Gide and Rist, *History of Economic Doctrines*, pp. 67, 68.

² Adam Smith, *Wealth of Nations*, Book II, chap. v. Smith followed the foregoing quotation with the yet more astounding remark, "Over and above the capital of the farmer, and all its profits, they regularly occasion the reproduction of the rent of the landlord." If contractual relations in England at this time were posited upon the theory that trade and manufactures were not productive of anything which could be claimed as rent from the land which they employed, it is not to be wondered at that the surpluses remaining in the hands of merchants and manufacturers were such as to justify the evident preference for these callings as compared with farming.

following is attracted by Mr. J. J. Hill upon the following platform:

There must be . . . a readjustment of national ideas such as to place agriculture, and its claims to the best intelligence and the highest skill that the country affords, in the very forefront. There must be a national revolt against the worship of manufacture and trade. . . . A clear recognition on the part of the whole people, from the highest down to the lowest, that the tillage of the soil is the natural and most desirable occupation for man, to which every other is subsidiary and to which all else must in the end yield. . . . Then there will be a check administered to the city movement that lowered the percentage of agriculture labour . . . from 44.3 in 1880 to 35.7 in 1900. With public interest firmly fixed upon the future, the country, in mere self-preservation, must give serious attention to the practical occupation of restoring agriculture to its due position in the nation.¹

In varying keys and at different tempos the same motif recurs again and again. Cities are a menace, industrial development a delusion, agriculture the one God-ordained and Heaven-preferred calling of mankind. The golden text of agrarian dissatisfaction is to be found in the antithesis of agriculture's great pretensions and its humble station in the roster of present-day economic and political groupings. The mere fact of priority even is drafted into service as an argument in behalf of hierarchical superiority.

Adam was a farmer, and the first mission on which man was sent was a farming mission. . . . And if the tilling of the soil was then the most essential thing to the existence of the human family, and the human family still subsists upon the same products of the ground that mankind did then, farming must now hold a pre-eminence of all other avocations of life. . . . The world could not exist twelve months without him [the farmer]; still he has no voice in the world's affairs, and but very little in his own.²

Or, turning from the rather pessimistic look backward or around to the more optimistic view of the future, we have this ambitious sentiment:

Reared to regard farming as the most worthy of callings and the farmer as the foundation and bulwark of civilization and liberty, and having had these early sentiments strengthened and confirmed by experiences, he [the author] is actuated by the desire of seeing the farmer assume that position

¹ *Highways of Progress*, pp. 40-41.

² Flowers, *The Farmer and His Relation to the Country, the Manufacturing, the Speculative and Political World*, pp. 9, 11.

at the head of the industrial world which the Creator manifestly has surrounded him with the opportunities to assume and dignify. . . . The author firmly believes that the solution of the vexed industrial question of the day can be solved only by the farmer who, as both laborer and capitalist, occupies the position of rational arbitrator between capital and labor, but that the farmer can reach the solution only by well-directed farm organization.¹

All such efforts to maintain an invidious distinction between agriculture and other industries mark but a belated survival of the unscientific analysis of economic life which characterized the nascent period of economics, when the productive power of land was regarded as "original and indestructible," and bald labor theories of value held the field. That any faction still argues that agriculture does by innate right and should in our social arrangements occupy a position superior to other industries simply shows that the more adequate economic theories of today have not yet superseded in some quarters the quaint patterns of thought which belong to the time of Louis XV. Such a philosophy it is that animates the extravagant utterances which, like thunder, precede the storm of each new farmers' "movement." On it can be based any amount of denunciation of bankers, of produce exchanges, of transportation companies, and of industrial concerns in general. Such an argument is implicit in most of the attacks upon the middleman and has prejudiced many a rural-credits discussion. It adds fuel to the Non-Partisan League's damning of "Big Business" and in part made the issue upon which farmers were attracted to the Populist party. Just in proportion as our rural interests approach other economic classes with this obsession of divine right or of natural preferment, by so much are they unfitted to deal fairly and effectively with the social and economic adjustments in which these several industries are mutually concerned.

II. THE MERCANTILIST BIAS

However much the votaries of agriculture may have cherished the belief that this is the greatest and noblest of all human enterprises, such a theory has been confronted more and more by a condition of politico-economic organization based on quite another

¹ Ashly, *The Riddle of the Sphinx*, p. 5.

scheme of values. Most of those persons who have held the reins of power in Western Europe and industrial America have rated agriculture as a humble, though of course necessary, order, ancillary to the more glorious commercial and industrial occupations upon which the progressive nations of the modern period have aspired to base their claims to greatness and to stake their national destinies. Section I of this paper calls attention to the physiocratic bias which has sometimes warped our thought and actions with regard to agriculture and its relations to other industries. It is no less important that we avoid the bias of mercantilism, an economic philosophy which has been as a religion to that fraction of the population which, by virtue of the existence of an agricultural surplus, has been freed from the need to apply its labors directly at the source whence economic values are wrested from the bosom of the earth itself.

Industrialism, mercantilism, and economic imperialism have been joined in a triple entente in England, in Germany, to some extent in France, and now in the United States and other countries which are passing over from an extractive to a manufacturing and commercial development. For mercantilism, we must not forget, has meant not merely disproportionate stress upon a large cash balance but also overemphasis upon (*a*) a great volume and high density of population, (*b*) the superiority of foreign commerce as compared with internal trade, (*c*) the greater possibilities of profitable development in fabricating industries than in the production of raw commodities, and (*d*) state activity as a means of artificially bringing these ends to pass.¹

Just as the prevailing sentiment of their times was reflected in the writings of the earliest political economists,² so the persistence of a like mercantilist viewpoint is strikingly revealed in the

¹ Roscher, *Geschichte der National-Oekonomie in Deutschland*, pp. 229-31.

² "Antonio Serra is regarded by some as the creator of modern political economy. He strongly insists on the superiority of manufactures over agriculture as a source of national wealth. . . . The first systematic treatise on our science which proceeded from a French author, Montchretien de Watteville, is filled with the then dominant enthusiasm for foreign trade and colonies. . . . His book may be regarded as a formal exposition of the principles of the mercantile system for the use of Frenchmen. A similar office was performed in England by Thomas Mun."—Ingram, *A History of Political Economy*, pp. 46-47.

fact that modern textbooks on economics have been so exclusively treatises on manufactures, trade, transportation, and public finance, and the business of farming has received such slight attention, that at length certain economists felt the need of setting forth separate expositions of rural economics as a means of bringing agriculture within the purview of economic science.

The reason for this exalted opinion of trade and industry is not far to seek. It was undoubtedly true that commerce and manufactures had opened a stage of increasing returns to the business enterprise of England and other industrial and commercial countries, but we must not fail to perceive what are the conditions under which this greater profitableness appears, in order that we may keep a canny eye upon the point at which that advantage ceases. It might well be said that we are concerned with the problem of the long-run or normal adjustment of agriculture to these other pursuits, for it must be evident that the epoch now drawing to a close has been one of highly abnormal relationships such as the world may experience but once.

The day of mercantilism's dominance has been one in which the manufacturing and trading nations might with impunity and indeed with much profit neglect agriculture and rush their men and their capital into these other lines of economic enterprise, simply because of the fact that there had suddenly been brought within the field of economic organization certain primitive peoples and certain virgin lands whose unworked resources and unsatisfied, indeed unaroused, demands offered a phenomenal opportunity for shrewd exploitation. Trading glass beads for beaver skins or red calico for ivory represented the first and extreme stage in this joyful process of bringing diverse economic zones into market balance with each other through the erection of a world-economy based on trade and manufactures and mediated by cheap transportation facilities and geographical division of labor.

It is apparent, however, that the disappearance of these cultural diversities was not a consummation for which the economic mercantilism of any of the European industrial countries devoutly wished; for it was from just this divergence in their economic planes that commercial and industrial countries were enabled to

derive a differential advantage. How loath they were to lose it is evident in the efforts made to keep their colonies as exclusively as possible in the extractive stage of economic endeavor—great landed estates to be worked for the benefit of the lords of trade in England, Holland, France, or wherever. Those who worked them were to get a decent living (unless they chanced to be black or brown or yellow and could be easily bargained or forced out of it), but the surplus (whether narrowly interpreted in terms of coin or more broadly in terms of value) was to make life soft and agreeable for the economic aristocracy of the motherland.

Furthermore the same attitude which has led to the perpetuation of a political theory of colonial subservience has had its parallel in an imperial attitude of certain classes within the country, which seems to reveal in a different setting this same feeling that manufactures, transportation, and trade make up a natural oligarchic group destined to exercise a sort of economic overlordship toward agriculture. The trade city or industrial region becomes in the small the counterpart of what the trading or manufacturing motherland was in the large, and rural regions fall into a sort of colonial dependency, their economic function being regarded as the turning out of the biggest possible surplus of agricultural products from highly specialized producing zones, thereby creating the maximum tonnage for railways and ships and the largest volume of trade for mercantile agencies.

To be sure, this exchange organization was inaugurated as a means of increasing economic efficiency and securing cheaper products for both productive and final consumers. Only by introducing some saving could these commercial agencies gain a foothold under conditions of free competition. But eventually a trade which bade fair to languish with the waning of these natural advantages has often been bolstered up by the artificial stimulus of preferential treatment at either public or private hands or both, such, for example, as tariffs or bounties, banking or transportation discrimination. Mercantilist England passed her Navigation Laws and drew up her list of Enumerated Articles, not as a means of securing the maximum economy in the world's production and exchange or, still less, in order to secure the largest

measure of economic welfare for the colonists, but rather as a means of increasing freight receipts, harbor dues, customs duties, traders' margins, and bankers' commissions in England. Likewise there is a tendency among modern urban interests, after they have earned a worthy and deserved return by furnishing economically beneficial services of exchange, to pass on to claim a vested interest in these sources of income and to the stimulation of trade for its own sake and not as a means to greater economic efficiency through the geographical division of labor and productive specialization. There is ground for a suspicion that they regard both the producing and the consuming capacity of our country population as a proper object of exploitation by imperial urban interests.¹

It has been generally accepted as axiomatic that the demand for cultural utilities is vastly more elastic than that for original materials, or, in other words, demand for fine qualities and accompanying service commonly outruns the demand for goods as such. It has generally been believed also that the expansion of industrial employments is subject to a law of increasing returns or of decreasing costs, whereas extractive industries are subject to a law of diminishing returns or increasing costs.² These principles readily explain the tendency of non-agricultural business to maintain a lead in profitability beyond that secured in agriculture. Subjected to analysis, this means simply that capital applied in large quantities to manufacturing, transportation, and the like has yielded a large return to those who had the far vision and the sure touch of the true industrial promoter during the period since the introduction of a power-machine technique. This was dependent, however, on cheap food and raw materials, which could be secured as long as new lands were being opened for exploitation. Thus the two divisions of industry are not independent of each other, and increasing costs in extractive production tend ultimately to neutralize decreasing costs in the manufacturing processes

¹ Cf. Lord Sheffield's remark that "the only use and advantage of American colonies, or West-India Islands, is the monopoly of their consumption and the carriage of their produce." Quoted by Bogart, *Economic History of the United States*, p. 93.

² See Senior, *Political Economy*, 6th ed., pp. 81-86; cf. also Taussig, *Principles of Economics*, I, 186-88, 191-92.

proper, which are only a part of the whole process of bringing manufactured products into existence. Even now our productive technique has moved on to a point whence is clearly discernible the unreality of this apparent antithesis between industries subject to increasing, and those subject to diminishing, returns. Superficially available wealth is soon "panned out," and the extraordinary stage of direct appropriation which ensued upon the discovery and settlement of the previously unexplored portions of our globe is rapidly drawing toward a close. The war has closed the old era with a dramatic flourish, calling even England to witness that the supposed superiority of commerce, manufactures, and banking is not inherent and abiding but has been merely incidental to the stage of relative development during the past one hundred years or so.¹

European trading and industrial countries have been glad to delegate the work of agriculture to the colonies because they thought it the least profitable employment for their capital and labor; and so it was for old lands when placed in competition with the virgin fertility of newly discovered provinces. And for these new lands it was quite as obviously the most productive employment in a day of scanty population and limited capital. The exaltation of agriculture in early America and of commerce and industry in Britain at the same time was perfectly logical, provided the relativity of their situation to time and industrial development is borne in mind. But the bloom of youth is quick to pass, and, after a brief but riotous heyday of virgin fertility, even so new a land as America is rapidly passing into the ageless period of permanent use and productivity wherein true costs of production begin to figure potently, and agriculture passes onto an industrial basis² like any other human occupation of using the materials and forces of nature under an administration shrewdly cognizant of their scarcity value and toward the production of the maximum market surplus. Even now that the flood of nature's loot has begun to dry up it would appear that, under conditions of the present dispersion of population, present transportation facilities, and the state of the arts, the advantage in relative

¹ Cf. pp. 489-91.

² See also the latter part of sec. IX of this article (in July issue).

profitableness lies still with non-agricultural pursuits. To be sure, we lie close enough to the point of equilibrium so that we have heard frequently in recent years a cry of "Back to the land," but the universal testimony of European countries as well as of our own seems to be that the tide sets still toward urban centers, and the mercantilist bias of thought has certain solid facts on which to stand. Such a bias, however, is even more dangerous at this stage of our development than at an earlier period, and we should guard against it.

III. THE GOLDEN MEAN

Side by side, but with little mutual understanding of each other, these two philosophies have come down to us through the ages. The first, that of agricultural dominance, is the economic gospel of the simple life. Its adherents would keep our social or national edifice so close to the ground that storms could scarcely touch it; safety first, last, and always—but a very lowly order of economic life, a "Chinified" existence, to use the phrase of those who hold this ideal in low esteem. The second creed, that of commercial and industrial dominance, is the spontaneous philosophy of a soldiering, law-making, corporation-promoting people. The native mercantilism of its adherents bids them build a towering structure of trade, industry, and finance upon the slenderest possible foundation of agriculture. Such a national edifice becomes the shining mark for every attack, the steeple for every thunderbolt of destruction. Its maintenance demands ever more vast transportation facilities, a miraculously expanding but never breaking financial structure, and a navy of giant power and a Gargantuan appetite for appropriations. The collapse of Germany's house of cards built after this plan gives a flaming picture of the power of such endeavors to destroy themselves.

Between sodden safety and perilous progress, however, there must be some golden mean wherein height and breadth are fitly proportioned to each other, and where, instead of the distortion of a single member and the atrophy of all the rest, we may have the strength that comes of carefully considered symmetry. America is challenged today as never before with the need of effecting a skilful adjustment of all the parts of her economic life in that

harmonious proportion which alone can give an equal measure of well-being to all her parts, and health and vigor to the whole of the body politic.

Certainly the United States has outgrown the idea of being merely a nation of cowboys and cotton planters, wheat growers and hog raisers, truck farmers and orchardists. We are already a nation of iron smelters, machine builders, spinners and shoemakers, bankers, and scholars and artists. No one in his right mind would deny the fundamental and residual importance of agriculture in our scheme of economic life. However, instead of stopping our national building with the completion of that good foundation, we are concerned to rear upon its broad support the noblest conceivable structure of modern civilization. In this we are concerned not to have the largest possible proportion of our labor employed directly upon the land but rather to relieve as many as can be from the soil to fabricate raw materials into finished forms and to enrich our civilization with the greatest possible diversity and perfection of culture employments. The ruthless preacher of "Back to the land" would "kill the thing he loves,"¹ because the decline of non-agricultural callings means the impoverishment of agriculture by striking from under it many of the most essential props of its efficiency.

The maintenance and expansion of agriculture can be effectively provided for only by developing at a suitable rate the agencies of transportation, trade, and industry. Not for a moment should we forget the extent to which the modern farmer's performances are conditioned by the scientist from whom he has learned his present technique, the manufacturer who provides his equipment, or the financial institutions through which his business operations are transacted. Thus, for example, the farmer cannot hope to make his labors on the land achieve the maximum productivity possible to the modern industrial state of his art unless there are great factories turning out labor-saving implements and fertilizers and mill feeds. American farming would lapse back into an ineffec-

¹ Albeit I have a suspicion that the majority of such exhorters have, in fact, a purely Platonic affection for agriculture. They are concerned with having a large output of very cheap farm products to ease the way of industrial prosperity, and worry not at all about the welfare of those who produce these goods.

tual past if it were deprived of building materials and potash by the closing of cement mills; or if it found the supply of slag phosphate or the raw materials of its implements, fencing, etc., curtailed by the decline of our steel industry; if it did not find that, under an effective division of labor, rock phosphate and ground limestone and hog cholera serums and electric light plants and automobiles and papers, magazines, and books were being produced for it by specialized but non-farming groups. It prospers by and depends upon a system of rail and water transportation which brings it jute and sisal hemp from tropical lands, nitrate from Chile, and countless greater or lesser wares from the four corners of the earth. Most of all, however, the country depends, and must continue to depend, upon the town for the creation and distribution of those products of a high civilization without which our whole life would slip back to a lower and more primitive level, and which are produced only in the centers of population, where certain intensive forms of social activity are possible, and where the highly specialized ability and equipment which are needful can be supplied. In other words, the maintenance of our general civilization is essential to the farmer not less than to other classes of our society.

This is a fact apparently forgotten by certain dangerous friends of agriculture. They seem blind to the fact that if our life is to rise above the level of mere belly-filling and back-covering, a considerable fraction of our population must be freed from the soil to pursue the not less essential callings of the manufacturer, tradesman, engineer, scientist, teacher, writer, statesman, and artist; and that they must be fed and clothed and, in general, given economic rewards commensurate with the importance of their service. How many men and women can be spared and how adequately they can be equipped to pursue the labor necessary to endow our common life with better machines or better government or greater spiritual goods depends first and last upon how large a surplus of food and clothing is produced in our agricultural industry. Hence their reciprocal interest in the farmer and in the maintenance of agricultural productivity. If we are to multiply the conveniences of life, add to its beauties, and study its natural and spiritual mysteries, this rising standard of life must be supported by an enlarging

flow of subsistence goods. Urban dwellers will follow their own true interests in safeguarding the prosperity and hence the efficiency of our rural population, and, equally, our country folk will advance their own well-being by a careful consideration of the true interests of towns and industries.¹

The day when men seek to draw invidious and wholly imaginary distinctions of greater and less, more honorable and less honorable, between the different classes of our productive population should have passed away long since. Such futile notions hark back to the dark ages of economic thought or rather to the metaphysical wranglings and theologic quibbles which preceded the coming of natural and social science. The real problem is that of economic expediency or industrial equilibrium, and the obvious truth that our civilization is "one and inseparable" should be kept vividly and steadily in our consciousness. If social theory has failed to convince our people of this fact, we should at least have learned the lesson from the practical experiences of war. There the ability of the contending parties to keep going, the weight of the blow they were able to deliver, came down in the last analysis to their ability to turn over to the armies a surplus above the requirements of the civil population. Now, just as the armies were engaged in an enterprise not immediately productive but nevertheless of the utmost concern for future existence and progress, so that part of the population not engaged directly in producing the bare necessities of existence may be called the army of the economic future, and upon how large we are able to make it and how fully we are able to supply it depend the greatness of the objectives which we shall be able to win and the rapidity with which we can advance toward them.

When the Great War started we held the unconscious assumption that there was a well-marked line of division between the two parts of our war organization, but we were soon forced into a realization of the fact that both were equally indispensable and mutually dependent, and that only by having a nice adjustment of each to the other and both smoothly working in a properly correlated endeavor were we able to move forward to victory. It

¹ See, however, the latter part of sec. VIII of this article (in July issue).

is time we were realizing that human life is in fact a vast single enterprise, even though it chances to be departmentalized into more or less distinguishable parts, which we habitually refer to as agriculture, mining, lumbering, manufacturing, trade, commerce, the professions, etc. We are all engaged in the business of furnishing ourselves the highest possible standard of living, though some are assigned to one station and some to another. The essential point is, however, that this distribution of labor shall be such as to produce the maximum of efficiency, and that the various classes who participate shall share proportionately in the good things which are jointly produced.

Politically the world is advancing steadily and with reasonable celerity from an organization based upon exploitative imperialism toward democratic federation of free commonwealths. It is altogether fitting that the day in which we are struggling to establish this political ideal should be marked by substantial progress toward the achievement of a like goal in our economic life. It is as important that we develop an industrial organization capable of drawing forth the full capacities of our productive classes in a co-ordinated economic endeavor as it is that we should keep small nations from falling under the domination of mightier neighbors or distant imperial powers. It is as important to forestall causes of strife between industrial classes as it is that we prevent the future recurrence of wars between states.

IV. PASSING FROM THEORY TO PRACTICE

What has been said thus far relates to what might be called the interoccupational balance but has made no very specific reference to any particular economic area or boundaries. This was done consciously, in the hope that the general proposition concerning the mutually complementary character of agriculture, manufactures, and mercantile and financial callings might stand out the more clearly and obviously. Whatever a man's trade or wherever his home, he can hardly fail of seeing that these vocational groupings as a whole must bear some tolerably definite relation to one another at any given stage of the arts and of our social evolution. Clearly we cannot all be bankers, nor glass

blowers, nor toe dancers, nor celery raisers. Clearly too there is some fairly harmonious ratio between the amount of celery we will eat, the quantity of glassware we can use, the amount of toe dancing we care to see, and the demand we shall have for the services of the banker.

It is patent, however, that most economic callings must have a local habitation as well as a name. While Pavlowa can pack her tarlatan skirts and follow the will-o'-the-wisp market for toe dancing the round world over, most of the pursuits of life are not so conveniently (or inconveniently) cosmopolitan. They are deeply rooted in some particular locality, by reason of their dependence upon natural resources, population groupings, or some subjective consideration of their followers—notably patriotism and the property nexus between persons and fixed forms of capital. A man is not merely a broker but also a New Yorker, not simply a miner but likewise an American, not only a hog raiser but an Iowan too, not a grocer *in vacuo* but “the pioneer grocer of Belle Plain.” Very likely his personal fortune is contingent upon the maintenance of the level of prices for corn-belt land, or upon the good-will of the druggist’s jobbing business located by his father and built up through forty years of patient effort, or upon the continuance of lemon imports from Sicily or of the export of soda fountains to Buenos Aires.

In the philosophy of entrepreneur economics, whatever is, is right. Any business or calling which has established itself in a profit-making position embodies certain present achievements and future aspirations which assert their right to protection as against whatever forward-looking plans we may hereafter entertain for the adjustment of our economic relationships. Vested interest capitalizes any situation upon which it has prospered and fights to maintain its own institutional frontiers as tenaciously as the most avaricious dynastic or nationalistic diplomat at Versailles. This is what gives to our general problem its concrete and local character. Will the United States in 1919 show herself capable of formulating a policy for the epoch upon whose threshold we now stand, which shall rest upon the impartial judgments of a sound social economy and not be the partisan program of commer-

cial or agrarian or manufacturing interests? Not alone the professional economist, but likewise every intelligent citizen, should be vividly aware of the issue which confronts us today. We are now choosing a course which will have enormous consequences upon our future development. Shall we allow the utilization which is to be made of the natural resources of our country, the investment of our accumulated capital, and the application of the energies of our people to be dictated by the personal advantage of a small number of strong personalities, more perspicacious than the rest of our people as to the economic trend which will produce for them individual riches or class prosperity? If we are to drift among the troubled waves of factional interest we shall fare but slowly, if at all, toward any port worth reaching. Instead of this we need the best of seamanship upon our economic ship of state. Just this problem it was that called the science of economics into being, and the eternal inquiry into that method of conducting our business life which is best calculated to create and to conserve the wealth of nations is still the central purpose of our study.

V. NATIONALISTIC EXPERIMENTS—FRANCE

Indeed, looking back through the long perspective of the past, we find this the most pressing question with which successive civilizations have wrestled (whether in specific terms or not), and upon whose outcome they have fallen, stood still, or gone forward. Owing to its relativity to time and place and circumstance it has never been solved, but we may gain much from a brief glance at the various ways in which it has been met heretofore. Barring those tribes which have failed to rise above a state of savagery, we have in ancient times two types of answer to this persistent problem of the human race. First there stand a few very old civilizations which have accepted that rather imperfect or partial solution to the riddle which has maintained their agriculture in some sort of quantitative adequacy but has failed qualitatively to secure such productive efficiency as to permit the erection of any very elaborate or very widely diffused culture life upon this foundation. Notable here are China and pre-British India. Second come a long line of nations or empires, from Chaldea to Rome, which

conceived ambitious plans for a high and progressive civilization, which actually brought to being successive types of culture each surpassing anything known before, but all of which ultimately met national defeat through the failure of the needful agricultural foundations to their social life, or through failure to produce a suitable non-agricultural surplus of their own and an efficient and economical commerce with more agriculturally inclined nations or dependencies, through which to provide an adequate and permanent support for that ample plan of social life. The end of the feudal age, even, found mankind still with no adequate solution to the question how to establish a civilization which should be of an advanced type and yet capable of maintaining itself upon a basis of economic permanence.

Since the beginning of the modern epoch Western Europe and the new nations she has planted overseas have registered a new level of achievement. Their experience, however, has been far from uniform but may be conveniently divided into two typical groups. In the first group are those nations which, like Britain and, at a later date, Germany, aspired to develop their manufacturing to the maximum and, through a highly organized commerce, to make profitable exchange of their products for the food and raw materials of other lands. In the second group are those countries whose national resources or inclinations did not conduce to such industrial development, but who have prospered by the assiduous cultivation of their agriculture or other extractive lines of production, for whose products their industrial neighbors offered a ready market. Chief here are Denmark, Holland, Sweden, Russia, Italy, and much of France and Belgium. Holland and France are excellent examples of states which were early caught by the lure of foreign trade and industrial expansion. Holland even, had her commercial supremacy not been snatched away by England while handicraft industry was yet the order of the day, must, with the advent of the Industrial Revolution, inevitably have succumbed to the industrial competition of countries better adapted than she to power manufacturing. In France, Colbertism swung even farther toward artificial stimulation of trade and industry. We have already observed how the equal but opposite distortion of

view introduced by physiocracy restored the semblance of a balance—a balance which, however, the French have tolerably well maintained down to the present time.¹ It is interesting to speculate whether this would have been the case had France remained during the last half-century the possessor of the coal and iron resources of Alsace-Lorraine.² With the probable

¹ The natural position of France, which had dictated a "Continental policy" to the military genius of Napoleon, led quite as naturally to the continuation of a not dissimilar policy in the economic struggles of peace. "A corn law of 1814 differed widely in character from the English corn law of the following year, but was dictated by the same purpose to protect agricultural interests. Duties on general imports were raised in 1818, again in 1822, and yet again in 1826, when the protective system was made so thorough as to give evidence of a settled purpose to render the nation practically self-sufficing. Designed originally in the interests mainly of manufacturers, the system had been extended until it served the interests of agriculture fully as well" (Ogg, *Economic Development of Modern Europe*, p. 282).

The movement in favor of free, or at least freer, trade which was inaugurated about the middle of the century (and one of whose most ardent supporters was Bastiat) could gain a footing only as corn farmers and wine growers, not less than iron-masters and owners of textile mills, were convinced that their prosperity would not be adversely affected, and only after such commercial liberalization had already been brought about in England and other countries (see Ashley, *Modern Tariff History*, pp. 352-72, *passim*).

² After the Franco-Prussian War a general depression swung France again strongly toward protectionism. This depression was, if anything, more severely felt by agriculturists than by manufacturers, and in the campaign of 1880-81 in favor of protection the *Société des Agriculteurs de France* was not less active than the *Association de l'Industrie française pour la Défense du Travail national*.

Although the Senate and a tariff commission of the Chamber both favored the taking of steps to maintain agriculture in the face of American competition ("the American peril"), the ravages of grape phylloxera, Austrian and German bounties on beet sugar, and a succession of bad harvests, little was accomplished in the tariff of 1881. "For all these various reasons the agriculturists were distressed and dissatisfied; they were ready to follow the leadership of Méline in his energetic campaign in favor of the extension of Protection to agriculture; and a characteristic feature of the tariff history of France, as of Germany, in the decade 1881-90 is the development of Protection in this particular direction" (Ashley, *op. cit.*, pp. 390-91).

The tariff of 1892 marked the highest level of protection to agriculture. Besides such measures of support there have been bounties on several agricultural products, an admirable ministry of agriculture, excellent agricultural education and fostering legislation along the line of co-operative organization, rural credit facilities, and the like. The prosperity in which agriculture has been maintained is evidenced by an increase in the production of wheat, rye, and oats from a ten-year average of 129.1 million quintals in 1882 to an average of 150.1 million quintals in 1913, an increase in the chief *cultures fourrages* (i.e., root and forage crops) from 496.8 to 824.1 million

restoration of these industrial resources the future trend of policy in France becomes a highly interesting question.¹

From the standpoint of the industrial imperialist France has done badly. The Britisher² doubts that her policies will enable her to hold her commercial and industrial position among the nations; she is hampered by the painfully slow growth of population, the racial character of her people and the fact that they are essentially not a business people, and a widespread indifference towards colonization and foreign trade (though recent years have witnessed marked improvement in this last respect). So long as these conditions endure, Government action and tutelage can avail little.

An American view is more appreciative. Says Professor Ogg:³

The position of France in modern commerce is unique. In the first place, that country is so rich in agricultural resources and its people are so largely engaged in agriculture that it is much less dependent upon trade than is Germany or England. In the second place, the character of its industries determines that the country's commerce shall be very different from that of most of its great neighbours. The products which France has to export consist chiefly of silks, laces, wines, delicacies—in brief, objects of art, luxury, and fashion; while the articles which she is obliged to import comprise mainly machinery, coarser fabrics, coal, iron—products, in general, of mines and large-

quintals, a rise from 45 million hectoliters to 53.4 hectoliters of wine, and of horses, cattle, and swine from 21.9 to 24.0 million head (*Statistique agricole annuelle*, 1916). "Finally it may be observed that in the report of the Customs Commission of the French Chamber of Deputies, which considered the proposals for tariff revision in 1908, emphasis was laid on the fact that the average annual value of the imports of food of all kinds, which was 59.5 million pounds for the eight years 1884-91, declined after the tariff of 1892 to 46 millions for the period 1892-99, and to 35.4 millions for the period 1900-7; and the committee urged that nevertheless there had been during the same period a marked decline in the average prices of all important articles of general consumption" (Ashley, *op. cit.*, p. 415). Realization on the part of the French that external protection must be balanced by internal efficiency is indicated by the remark of M. Deschanel, quoted with approval by this committee: "La solution définitive du problème agricole n'est pas dans la douane, elle est dans la science. Oui, mais la douane ouvre la porte à la science et lui permet de concourir ainsi à la cause du progrès. Elle est dans l'augmentation du rendement et le perfectionnement des méthodes. La douane, avec une protection modérée, ramène les capitaux à l'agriculture, à l'industrie, car le travail, à lui seul, ne suffit pas."

¹ Even before the outbreak of the European war, apparently, there was a feeling in France that the balance had a little too much inclined toward agriculture. At all events, the new law of 1910 left the duties on agricultural products practically as they were but made considerable advances in the case of manufactured products.

² Ashley, *op. cit.*, pp. 435-36.

³ *Op. cit.*, pp. 293-94.

scale manufacture. In both Germany and England the situation is precisely the opposite. Because, therefore, of predilection for the production of "quality" goods, as well as by reason of her rigidly protectionist policy, France cannot hope to take front rank among the trading nations of the world. Her commercial position is respectable but not commanding. The volume and value of her trade are enhanced by her dealings with her extensive colonial possessions, notably Algeria; yet the cost of the colonies has outweighed the commercial advantages accruing from them. And the system of bounties on ship-building and navigation, inaugurated in 1881 with the purpose of developing the mercantile marine, yielded no result beyond keeping the French merchant fleet stationary while rival fleets were steadily advancing.

Perhaps we might go somewhat farther in praise of the shrewd French way of cutting their garment to fit their cloth, of casting up a lengthy estimate of the material and human resources at their command and of the relative values of life, and then working out a tolerably harmonious development of national well-being along these lines. May we not discern here a certain economic artistry quite of a piece with other phases of the French genius? Is not a commercial position "respectable but not commanding," and a certain "indifference toward colonization and foreign trade," a laudable contrast to the wolf-pack trade and hectic industry which has brought mixed if not dubious blessings to those countries which have fought for the industrial leadership of the world? To be "essentially not a business people" may seem a condition worthy of praise when we pause to reflect upon the essential business man as personified in certain Teuton or Japanese entrepreneurs with whom the world has become acquainted in recent years, mercifully to say nothing of a moiety of Anglo-Saxon industrial pioneers.¹

Those haughty neighbors who could visualize the ideal of national well-being only in terms of industrial and political imperialism have been pleased to call France a decadent country. Such

¹ Since all this is a matter of ideals, of philosophy of life, of sentiment, if you please, one might perhaps better go to the pages of literature than to supposedly learned treatises for his citations. If so, one cannot do better than turn to that not less sound and trenchant than delightful volume of Dorothy Canfield's, *Home Fires in France*, to the story called "A Fair Exchange." One is almost persuaded that the American people might learn from the French people as Mr. Hale was shown a new philosophy of life and business by M. Réquigne.

an estimate has been gloriously belied by her astounding powers of resistance under the titanic burdens of a world-war. The moment is opportune to contrast her present achievement with the dark fate prophesied for her a century ago.

Both Young and Malthus expressed the opinion that, as matters were going, France would become as badly overpopulated as was China. As late as 1823 McCulloch predicted that the land must certainly become, within fifty years, "the greatest pauper warren in the world" and share with Ireland the dubious honour of furnishing hewers of wood and drawers of water to other countries.¹

VI. ENGLAND

But before considering the possible pertinence of French experience to American conditions we should set in contrast the evolving policies of England and Germany. The evolution of modern industrialism is, in the case of England, not only of the most extreme type but likewise most thoroughly indigenous to the land and people. Britain was a thoroughgoing agricultural country when, in the late feudal period, her explorers and pioneering traders opened for her the markets of the Continent, the Far East, and America. The immediate effect of this commercial expansion was to improve enormously the condition of British agriculture, to stimulate her farming industry, and to open to agriculture an era of progress which made English farming the pattern for all other countries until well into the nineteenth century.² Prices of agricultural products were of course high during the Napoleonic Wars, but these large nominal returns to agriculture were not converted into a solid and suitable development of the farming industry. In 1816 the Board of Agriculture reported that rural interests were "in a deplorable state." Many farmers were thrown into the pauper class, whither a large part of the farm laborers had already preceded them.

¹ Ogg, *op. cit.*, pp. 189-90.

². . . The wealth gained by the commercial progress of the day was largely put into the land, and the great revolution that now took place in English agriculture was carried on under the influence of men of wealth. A great stimulus to progress was given by the fact that the English gentlemen of the eighteenth century developed quite a passion for agriculture as a hobby. Arthur Young declares that "the farming tribe is now made up of all classes, from a duke to an apprentice. . . ."—Gibbins, *Industry in England*, pp. 270-71.

Taxes and tithes were ruinous,¹ and inclosures were fast carrying the conditions of land tenure from bad to the worst possible state. A substantial farmer asserted at this time that "the landed interest has been, since the Corn Law of 1773, held in a state of complete vassalage to the commercial and manufacturing, and the farmers of the country in a state very little superior to that of Polish peasants."² Land, instead of being made the basis of an efficient agricultural development, became more and more a social perquisite of the great old families or, by purchase, a similar adornment for the parvenus of trade, who "bought land to make themselves gentlemen."

The Corn Laws were an aggravation to, rather than a remedy for, these institutional disorders, and it was only after their repeal that, owing to the Crimean War and our Civil War, English agriculture enjoyed a brief period of prosperity before its final eclipse by the flood of cheaply produced and cheaply transported food from America. In view of the relative scarcity of her agricultural resources as compared with her facilities for manufacturing and commerce, the policy of free trade was undoubtedly the expedient course for England at the moment of its adoption. Whether it would have been adopted had it been possible to foresee the full strength of the coming competition is quite another question, as is also the inquiry whether it is possible to preserve the then advantages as against the later tariff-making activities of rival nations on the Continent, in America, and elsewhere. Certainly during the good harvests and moderately supplied markets of the fifties and sixties British agriculture might by good statesmanship have been put in a thriving condition, so that in the period since 1870 it could have shifted readily to the production of dairy products, garden truck, and like wares. This shift, in view of the unparalleled home market and cheap imported feedstuffs and fertilizers, might have been accomplished had there been a national belief that the effort

¹ "The parish of Kentchurch, in Herefordshire, paid in direct taxes a greater sum than the lands of the whole parish could be let for."—Curtler, *A Short History of English Agriculture*, p. 250.

² *Ibid.*

toward conserving agriculture was sufficiently worth while to force the institutional readjustments necessary.¹

Almost every turn for the worse brought a new Commission on Agriculture into consultation, but their prescriptions were either so superficial in character or were followed with so little energy that practically no relief was secured.² Finally, about the beginning of the present century something approaching a real agrarian sentiment made itself heard. On the one hand, Mr. Chamberlain advocated a system of preferential duties on certain agricultural products, and the Unionist party still rallies round this policy. On

¹ "Many an English farmer has gone on growing wheat for years after it was obviously a loss to him, when he might gradually have introduced some other crop. Again, he has neglected dairy farming, or only carried it on on unscientific principles, while foreigners have been scientifically perfecting their methods. He has certainly despised the smaller industries of the farm, such as poultry-rearing and egg-producing, so that our home market is now largely stocked with fowls and eggs from France, Germany, Denmark, and even Italy. Again, as a nation, we have paid too little heed to agricultural education, and though so-called 'technical instruction' is now given, it is conducted in many places in a most chaotic manner, and money is lavishly wasted with the minimum of result. Dairy schools are certainly at length being established, but not before they had become familiar to every Danish cowherd and Danish butter was ousting our own from the home market. Here, as elsewhere in our educational system, the State has neglected duties which every other great European nation has long since taken upon itself."—Gibbins, *op. cit.*, pp. 444-45. Cf. also Pratt, *The Transition in Agriculture*.

² "In September, 1893, a Royal Commission . . . made a startling revelation of the extent to which owners and occupiers of land, and the land itself, had been impoverished since the report of the Duke of Richmond's commission (1879-1882). It showed that the value of produce had diminished by nearly one-half, while the cost of production had rather increased than diminished. . . . Yet the evidence collected by the Commission established some important facts. It proved that many men, possessed of ample capital and energy, who occupied the best-equipped farms, enjoyed the greatest liberty in cropping, kept the best stock, and were able to continue high farming, had weathered the storm even on heavy land; that small occupiers employing no labour but their own had managed to pull through; that, on suitable soils, market gardening and fruit-farming had proved profitable; that, even on the derelict clays of Essex, Scottish milk-farmers had made a living. At no previous period, it may be added, in the history of farming were the advantages and disadvantages of English landownership more strongly illustrated. Many tenants renting land on encumbered estates were ruined, because their hard-pressed landlords were unable to give them financial help. At least as many were nursed through the bad times by the assistance of landowners whose wealth was derived from other sources than agricultural land."—Prothero, *English Farming Past and Present*, pp. 380-81.

the other hand, a Chamber of Agriculture and numerous associations for land reform, rural co-operative organization, and like purposes have at length demanded the attention of the public and even some action in Parliament presaging a new policy of reasonable support to agricultural industry.¹ Even before the outbreak of the war the English were coming to doubt that the mere fact that Britain was mistress of the seas entirely justified the traditional policy of neglect for agriculture,² and when the paucity of home-grown foods brought her so tragically near the brink of disaster in 1917 and 1918 a clamor for the rehabilitation of agriculture began which will profoundly affect the future of English farming. Even though the Corn Production Act of 1917 makes only temporary guaranties of wheat

¹ "To their efforts [the leaders of the Central Chamber of Agriculture] it is due that, in spite of the ever-increasing preponderance of the urban population and of urban influence in Parliament, the continuance of the indefensible process of throwing upon rural ratepayers and upon the least profitable of important British industries the main cost of maintaining national education, trunk roads, and other services of national character, to the exoneration of personal wealth, has been to a large extent frustrated, and Royal Commissions and successive Governments have been compelled to admit its injustice and to hold out hopes of its abandonment. It is thanks to them that British railways are not now, owing to their preferential tariffs and their unfair rates for the consignment of all British farm produce, particularly that of a perishable character, carrying overseas produce to the entire exclusion of that raised at home: that the unpractical education in rural elementary schools, which was inaugurated by the Education Act of 1870, is gradually giving way to mental equipment better adapted to the after career of their inmates: that there exists today a Board of Agriculture," etc.—Charles Bathurst, M.P., in *Fifty Years of Agricultural Politics*, Preface, pp. viii-ix.

² "In the course of time the nation will probably perceive that it is desirable, and that ultimately it will be profitable, to recall capital and labour back to the land which it is evident that they have left; and that it is the height of economic folly to rely, as some do, upon the extension of our manufacturing industries to counteract agricultural depression. Prosperous agriculture means for us prosperous manufactures, and from an economic point of view the interests of the plough and the loom are identical. Neither can be served by protective tinkering. Reforms of a totally different character are needed, foremost among which is a widespread reduction of rent, and a general rearrangement of the relations between landlord and tenant, together with the adoption of the best methods, both in education and in agricultural practice, of our Continental and foreign competitors. It is on the face of it ridiculous to assert that, with an unequalled demand in the home market for all he can produce, the English farmer cannot find some means of making the land pay, and pay well. But before he can do this he must spend more capital upon it than he has lately been able to afford."—Gibbins, *op. cit.*, pp. 452-53.

and oat prices, agricultural wages and rents,¹ it seems practically certain that its provisions will be extended or that other steps will be taken after its expiration to restore and maintain English agriculture in a condition commensurate with its natural resources and opportunities.² While present proposals are rather narrowly military in scope and animus, it seems certain that they will eventually settle down on to a basis of permanent economic justification far more satisfactory than either militaristic overdevelopment or mercantilistic neglect.

The present attitude of English thought on the subject is perhaps best summed up by a recent utterance of Mr. A. D. Hall,³ dean of English agriculturists:

1. In the interests of the nation as a whole it is necessary to grow at home a larger proportion of the food we consume: (a) as a national insurance in time of war; (b) to develop our internal resources and reduce our foreign indebtedness, a matter which becomes of greatest moment in war time; (c) to increase the agricultural population as a specially valuable element in the community.

2. These objects can only be attained if more land is put under the plough. Land under arable cultivation produces nearly three times as much food as when under grass, and employs ten times as many men.

3. Some action by the State is necessary in order to secure any considerable ploughing up of grass. . . .

4. (Five methods suggested).

5. If the arable land was increased to the area it occupied in 1872, by about 4 million acres, and chiefly devoted to wheat, the amount of wheat grown in the country would be raised to about 59 per cent of our total requirements, and at the same time our production of cattle food would be increased rather than diminished. . . .

¹ For its provision, see *Corn Production Act, 1917, with Explanatory Memorandum*, pp. 11, 17-19, chaps. III and IV (published by The Land Union).

² The report of the Agricultural Policy Sub-committee of the Reconstruction Committee (1918) recommends not only the continuance of price, wage, and rent guaranties but also a considerable range of state activities in the interest of agriculture and, in case tariffs are imposed on manufactured goods, "then a tariff corresponding in degree (with the necessary differentiations between the products of the empire, of allied, and of other countries) should be imposed on imported foodstuffs such as dairy product, meat, and corn, and that special consideration should be shown to the produce of the more intensive forms of agriculture."—*International Review of Agricultural Economics*, 1918, No. 7, p. 606.

³ *Agriculture after the War*, pp. 128-30.

6. The commercial success of any scheme for the extension of the arable area must ultimately depend upon the prices that rule for agricultural produce, i.e., upon the intensity of foreign competition. If the State decides that such an increase is necessary in the interests of the national security, it may be driven to adopt some system of bounties or protective duties in order to keep the returns to the farmer up to such a level as will allow of agricultural development. . . .

7. The problems of finding employment and attracting men to the land that will press at the close of the war can be met, in the first place, by giving a bounty on arable farming by guaranteeing either a minimum price for wheat or an annual payment for each additional acre put under the plough. . . .

I may finally be allowed to urge that these proposals are not put forward in the interests of the agricultural classes as such, nor in those of any particular party within the nation. It is no part of my purpose to push the claims of an agrarian party pursuing its own ends under the cloak of the national welfare. I doubt if such a party has ever existed in this country, however much individuals may have been clamorous for the protection of their own interests and have deceived themselves into thinking that their own well-being was identical with the general good. But the countryman has always had a case when he has fought against the neglect of agriculture during the last sixty years or so, and his main thesis has been true that a country is weakened by allowing its rural population to decay and by becoming parasitic upon other countries for food. The extent and dangers of this weakening is only now being revealed to us by war.¹

VII. GERMANY

The course of development in Germany has been markedly in contrast with that of England. The group of states which in the process of time coalesced into the late German Empire emerged upon the modern stage predominantly agricultural in organization and interest, though not a little tinged, in the western part, with a commercial tradition old as the Hanseatic League. This section carried on during the earlier part of the nineteenth century a moderate volume of trade in raw materials and manufactures, the latter

¹ Likewise Premier Lloyd George in his plans for building up a "systematic well-ordered country" lays special stress upon the restoration of agriculture. One of the revelations of the war, he says, was "the enormous waste of the resources of our land. We import hundreds of millions of our supplies from abroad. I do not mean to say that we can grow them all, but we can grow a very much larger proportion of our supplies than we have done in past years. Take food. You can grow vast quantities of food in this country for which you have been dependent on foreign imports, but you want a much more intelligent policy than that. The land must be cultivated to its full capacity. That ought to be an essential feature in the new Britain. A systematic effort must be made to bring a population back to the land."

mostly of the handicraft sort. Prussia and others of the eastern provinces were considerable exporters of agricultural products, chiefly grain, up until the seventies, when American competition in the foreign market and the increase of home consumption resulting from the growth of industrialism turned the tide. From that time on Germany has been grappling with the problem of what adjustment of the relationships between agriculture and industry would best serve the larger welfare of the country as a whole. In attempting to meet this problem she developed a vigorous and comprehensive policy of state action as a means of keeping the various economic interests in proper balance.

The nationalistic ideal had been vigorously put forward by Friedrich List in 1841 in his *System of National Economy* (the book, however, having been preceded by several years of public agitation). His philosophy, though warmly received in some quarters, made but uncertain progress for nearly forty years. Nevertheless it was being strengthened by all those forces and circumstances which culminated in the establishment of the Empire, and this event, together with the economic conditions of the latter part of the century, caused it to become the predominating German doctrine. List's argument was directed primarily toward tariff protection as a means of enabling German manufactures to establish themselves in face of the competition of England's already flourishing industries. Speaking at the time he did it is only natural that his argument should run in terms of helping the nation to pass from the relatively primitive agricultural stage of economic development to the higher stage in which a considerable industrial structure is reared upon the agricultural foundation.¹

By a curious inconsistency List had taken the position that protection should never be granted to agriculture, since its geographical distribution is regulated by a natural order with which protection would interfere, and since any enhancement in prices of food and raw materials would be harmful to industry. In view of the decidedly pragmatic character of his whole system this discrepancy

¹ "A purely agricultural nation is like an individual who, wanting an *arm*, employs the arm of another, the use of which, however, he is not always sure of obtaining; a nation, both agricultural and manufacturing, is like an individual in full possession and use of his own *two arms*."—List, *National System of Political Economy* (transl. by Matile), p. 268.

was perhaps not so great in a day when transportation costs were high and modern scientific agriculture unknown. M. Rist suggests that this part of List's argument was not so much designed for home consumption as for use in England, whose Corn Laws were interfering with German export trade.¹ Likewise M. Henri Richelot, in a note to the French translation, asserts that List's position on this matter was not so uncompromising as might at first appear. He says:

I have seen a production of List published in 1846, in which he remarks at some length upon my book *Association Douanière Allemande*. In reply to the reproach which I had addressed to him of denying protection to agriculture, he says that he allows to this general rule exceptions which he had not specified in his *National Economy*.

Probably had List lived to see the time when German agriculture was seriously threatened by foreign competition² he would have advocated such aid as would safeguard it, and in so doing would have employed quite the same arguments as those which he advanced in the case of industry. At all events, his general line of argument was by others adapted to this need, and Bismarck himself took a consistently friendly stand with reference to the agrarian interests. From 1879 to 1888 there were substantial advances in the amount of tariff protection accorded to grain and other farm products.³

¹ See Gide and Rist, *History of Economic Doctrines*, p. 276.

² "With the development of means of transport and especially the growth of the American railways, the Russian and even American competition in the supply of grain to the European markets was beginning to be severely felt; the German landowners were not only ceasing to be exporters, but were severely threatened even in the home market. Further, the movement of population to the towns had commenced in Germany, and the more attractive conditions offered by industrial employment were beginning to deprive the landowners of their labourers. They had ceased to have any further direct interest in the promotion of Free Trade; in fact, they were themselves beginning to desire some measure of protection. And even some of those observers who believed that it would be a mistake to attempt to shut out the foreign and cheaper supplies of foodstuffs, were yet, like Conrad, willing to establish a moderate amount of protection for grain, by a scale of duties limited in duration and gradually diminishing, to enable the agriculturists to transfer their attention to other branches of production."—Ashley, *op. cit.*, pp. 56-57.

³ "Bismarck was profoundly convinced that any measure passed for the benefit of agriculture was bound to promote the well-being of the entire nation concurrently, and he must not be accused of insincerity when he uttered words like the following: 'Whenever I have come forward on behalf of landed property it has not been in the interest of the proprietors of my own class, but because I see in the decline of agriculture one of the greatest dangers to our permanence as a State.'"—Dawson, *The Evolution of Modern Germany*, p. 239.

From this time on, the conflict between agricultural and manufacturing factions became keen and often bitter. The eclipse of Bismarck and the coming of Count Caprivi, together with extremely low grain prices abroad, carried the battle during the early nineties for the time being against the German farming interests. Industrial growth was rapid, and a strong and numerous party desired to follow the pattern of England and press these industrial benefits to the limit, exchanging its product for the cheapest food that could be found in the markets of the world, and letting German agriculture stand or fall as it might. But against these advocates of an *Industriestaat* stood a resolute rank of those who asserted that, in spite of the brilliant growth of manufactures and its accompanying trade, a country in Germany's situation was and must remain essentially an *Agrarstaat*, that the prosperity of the rural half of its population (53 per cent in 1890) was under no circumstances to be sacrificed to the profit lust of the industrial cities, nor they in turn to be allowed to jeopardize their own ultimate interests and safety by allowing the nearby sources of food and raw materials to fall into neglect. The agrarian party, alert, even rampant, in spite of its narrowness and excesses can claim a large measure of provocation in the sleepless mercantilism which it has had to combat on the part of the trading and manufacturing groups. To its colors it has drawn not a few of the leading economists of Germany,¹

¹ Of these, Professor Wagner has been the most extreme, though by no means going to the lengths which characterize the blindly partisan Junker group, who demand the "German market for the German farmer." Professor Wagner states his position as follows: "Not because we agrarians are reactionaries as we have so often been charged with being, but because we believe that this development into an industrial state, though not something absolutely wrong, has in its latest phase developed somewhat too quickly and beyond measure, and that its reaction on all sides of the life of the people is somewhat dubious, and its existence, continuance, and its full progress in the same direction cannot be secured forever. . . . From this standpoint we represent 'agricultural' demands not in the interests of the food speculator nor of the landowner and farmer, be he small, moderate, or large farmer, the 'Junker' or possessor of manorial estates, but because we see in the maintenance of an absolutely and relatively important domestic landowning and operating population in the country preserved in an economically productive condition, an absolute prerequisite to the welfare and the lasting economic and social, ethical, cultural, and political safety of the entire nation" (*Agrar-und Industriestaat*, pp. 23, 25).

Schmoller, consistent with his prominent position in the historical school, has considered tariff proposals or other state policies upon their individual merits, from the standpoint of national welfare rather than on grounds of general theory, and is to be classed as a moderate agrarian. Cf. his *Mercantile System and Its Historical Significance*.

and the net result of its labors has caused more than one English writer to animadvert sadly upon the superiority of German over British conditions.¹

In considering this agricultural-industrial policy of Germany, two further points should constantly be borne in mind. In the first place, tariff protection (and the analogous bounties and preferential transportation rates within the country) have not been the single means relied upon for the strengthening of agriculture. On the contrary, a whole series of measures calculated to enable the farming industry, through advancing efficiency, to produce at the same time cheap products for the German market and satisfactory returns for itself has been put in force. Toward this end, not only have the resources of science and invention been drafted to the aid of agriculture, but even more notable have been the

¹ "There may be a difference of opinion as to how far the Imperial Government has succeeded in holding the scales evenly between the rival forces which are competing for the economic future of Germany, yet no one questions the wisdom and necessity of its endeavor to maintain agriculture in a prosperous condition and to protect it as far as possible against rapid changes to which it could not accommodate itself. For Germany has never neglected the vital interests of the soil, and its peasantry can still make the proud boast that it is one of the soundest bulwarks of the national prosperity and stability. While in the United Kingdom the number of persons engaged in agriculture declined between 1881 and 1901 from 711 to 495 per 10,000 of the total population, the decline in Germany between 1882 and 1895 was only from 1,783 to 1,554 per 10,000; the decline in the first case was 30 per cent, in the second it was 13 per cent" (Dawson, *op. cit.*, pp. 226-27).

"The moderate protective tariff on all agricultural products which has prevailed in Germany has been a great blessing to Germany's agriculture, and it has done no harm to her manufacturing industries, which have marvelously developed at the same time. . . . The wholesale prices of wheat are higher in Germany than they are in Great Britain, but it does by no means follow that the retail prices of food in general, which alone are of importance to the consumer, are also higher in that country. . . . In the biggest towns of Great Britain, and at the seaports where foreign agricultural products arrive in huge quantities and have to be sold quickly, food is cheap, and is often cheaper than it is in the country. In Germany, on the other hand, where duties on imported food are levied on arrival at the harbours, food is much cheaper in the country districts where it is raised. . . . That agricultural products are cheaper in London than they are in the country is most unnatural and unfortunate. This artificial cheapness is an additional cause of the ruin of our agriculture. If we look at wholesale prices, food is so cheap in Great Britain that agriculture, which in selling its produce receives only the wholesale price, cannot be carried on with a profit; but if we look at the retail prices, we find the same products to be so dear, owing to the exactions of the middleman, that this country compares unfavorably with Germany with regard to the price of food. . . .

"Our agriculture still suffers, not only from the exactions of the go-between, but also from outrageously high transportation charges. In Germany agricultural produce has to travel enormous distances by rail, and it can be carried cheaply. In Great Britain, where, owing to the size and happy configuration of the country, agricultural

institutional adjustments, especially in the field of rural credits, insurance, marketing, and co-operative organizations.

In the second place, agricultural policy, like everything else in Germany during the past generation, has been strongly tinged by foresighted motives of military expediency. Germany has not followed a course directed merely toward current economic prosperity, but one which would be likely to assure national safety in time of war. To be sure, the country has not been, for forty years past, actually self-sufficing in the matter of food supplies (contrary to the wishes of the more rabid of the agrarians), but it has been intended that she should be kept in a position to produce at least the minimum of necessities in case the country were some day faced by a military blockade.¹

products need travel only trifling distances, railway carriage, even in bulk, is so dear as often to make it prohibitive to foreigners. Our railways are even allowed to exact far more from the reduced British farmer than the charge to the State-protected and prosperous foreign agriculture. . . . Thus foreign producers receive a greater bounty from the British railway companies in the shape of preferential railway rates than they receive from their own Governments in the shape of fiscal protection. . . . In this country which, after Belgium, possesses the densest railway net in the world, droves of cattle and flocks of sheep may be seen walking from Scotland to London, whilst in Germany cattle transport by road is almost unknown."—Barker, *Modern Germany, Her Political and Economic Problems*, pp. 522-25.

¹ The writer feels that he cannot do better than repeat here a quotation which he has used elsewhere already, to illustrate the economist's use of the military argument as far back as the nineties.

"Under normal circumstances the domestic agricultural production of a nation should certainly provide for the needs of the resident population as to necessary products of the soil, especially as to the indispensable foodstuffs. Otherwise the country falls into a position of greater or less dependence upon other states, which are in a position to produce more human subsistence than is needed within their own domains. This dependence is especially precarious in time of war and for such lands as, like the German Empire, are bounded on nearly all sides by other countries, and have a very limited access to the open sea. In a war with Russia, France, England, or several of these countries together, the adequate maintenance of the home population might be seriously endangered. To be sure, this danger is somewhat lessened by a strong fleet, such as we hope to have in our possession in the course of a few years, but yet is by no means entirely removed. It remains, at any rate, an especially vital problem for German agriculture to strive to provide its domestic needs of indispensable means of subsistence, and particularly its breadstuffs. Out of regard for its own existence, even, the government is compelled, so far as lies within its power, to assist agriculture in the solution of this problem."—Goltz, *Vorlesungen über Agrarwesen und Agrarpolitik*, p. 11.

In general it may be said that Germany's policy of interjecting state activity as a means of holding the balance even between agriculture and industry has met with a large measure of success. Rural interests have been enabled to pass through a most trying and dangerous period without too great discomfort and with a marked improvement in efficiency. At the same time this enforced support of agriculture has not prejudiced the prosperity of non-agricultural interests under peace conditions and has contributed enormously to the strength of the nation under stress of war. It is not likely that any section of intelligent public opinion in Germany doubts the wisdom of their course or would advocate an essentially different line of effort in the future.¹

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¹ "No serious politicians suggest that a mere policy of *laissez faire* can ever again be followed in regard to an industry so closely related to the feeding of the people. Even some of the more responsible Socialist leaders repudiate the idea that Protection could be summarily abandoned, and avow their readiness to make any reasonable sacrifice for the sake of the genuine cultivators of the soil. In brief, in their attitude toward agrarian remedies, parties are no longer divided on the question of principle, but on that of measure and degree. From the political standpoint alone it is held that Germany's dependence upon foreign food supplies is a danger which no responsible statesman ought to contemplate. However lamentable it may be that agriculture has been allowed to decay in the United Kingdom, our nation's food is at any rate secured by the existence of a navy powerful enough to keep clear the trade routes of the seas. Germany possesses no such security, and in its absence the maintenance of the national granary, the corn lands of the North and East, in as abundant and efficient a condition as possible, must be a primary object of domestic policy. Of this Count von Caprivi himself, though the first responsible statesman to recognise the advent of the industrial era and the urgent need of cheaper food for the labouring class, was no less sensible than the extremest Protectionist."—Dawson, *op. cit.*, p. 248.

[To be continued]